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American Jobs Creation Act Sales Tax Deductibility Provision Summary

Allows taxpayers in all states to deduct the higher of their state & local income tax or sales tax.

- **Tax relief for moderate and middle income families.** Restores the sales tax deduction Congress eliminated in 1986 to allow taxpayers in ALL states to deduct their state sales taxes. Provides for highest deduction: sales or income. Taxpayers will be able to choose from a table of average sales tax deductions or provide receipts. In addition to the amounts listed in the tables, taxpayers may add to that amount the actual sales taxes paid on cars, boats, and other big ticket items determined by the Secretary of the Treasury.
- **Economic stimulus directly to consumers.** An average family of four saves an average of \$408 off federal income taxes yearly.
- **Creates jobs.** In Texas, State Comptroller Strayhorn estimates this legislation could create over 21,798 new jobs, \$819 million in new investments, and \$1.2 billion in increased gross state product. Other states could be expected to benefit comparably.
- **Relief to states.** As more states increase or expand sales taxes to balance their budgets, allows taxpayers to deduct the higher of their state taxes: income or sales. Supported by the National Governors Association, National Conference of State Legislatures, the National Taxpayers Union.
- **Bipartisan.** Has broad support: 78 co-sponsors (Sales Tax Equity Act H.R. 720).
- **Fairness.** Treats taxpayers in all 50 states fairly. Ends federal bias against sales tax. Restores equity among taxpayers. The provision will sunset in 2006, a significant step forward after 18 years without deductibility.



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Sales Tax Deductibility What It Means To Texans

- Under this legislation, Texas families will be able to deduct their actual sales taxes paid by saving their receipts, or by looking up an average amount for their income and family size on a table, plus any actual taxes paid on motor vehicles and boats.
- Texans will save an average of \$408 per itemizing household, or \$974 million overall, on their federal taxes next year.
- The estimated tax savings are expected to generate 21,798 new Texas jobs, \$819 million in new Texas investment, and \$1.2 billion in increased Gross State Product in 2005.
- The increased economic activity should also boost general revenue-related state tax receipts for the two-year period 2005-06 by \$49.7 million.
- For example, to calculate taxable income, a family of four with income of \$57,945 that purchased an \$18,000 car this year without a trade-in should be able to deduct an additional \$1,918 (an estimated \$793 from a general sales tax table and \$1,125 in actual motor vehicle sales taxes paid).
- Likewise, a single mother of one with an income of \$34,500 who purchased a used car for \$10,000 should be able to deduct an additional \$1,128 (an estimated \$503 from the general sales tax table and \$625 in actual motor vehicle sales taxes paid).
- For a family of four with income \$25,583 to \$34,111 the deduction would be around \$600
- For a family of four with income \$59,695 to \$68,222 the deduction would be around \$1,000
- For a family of four with income \$102,334 to \$119,389 the deduction would be around \$1,500

(source: Texas State Comptroller's Office www.window.state.tx.us)